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REMARKS

Claims 1-21 are pending in the present application, and claims 1, 10, 13, and 18 have been amended hereby. The claims have been carefully reviewed with particular attention to the points raised by the Office Action. It is submitted that no new matter has been added and no new issues have been raised by the present response.

The specification has been objected to as allegedly containing informalities. It is submitted that the specification has been amended hereby in accordance with the comments of the Office Action.

The abstract has been objected to as not being in single-paragraph form. It is submitted that the abstract has been amended hereby in accordance with the comments of the Office Action.

Claim 10 has been objected to as allegedly containing informalities. It is submitted that claim 10 has been amended hereby in accordance with the comments of the Office Action.

Accordingly, withdrawal of the objections to the specification, to the abstract, and to claim 10 is respectfully requested.

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The Office Action notes the requirement of submission of a certified copy of the foreign priority document. Applicant has attended to obtaining the document, and will submit the document immediately upon its availability.

Claims 1-21 were rejected under 35 U.S.C. § 101 as allegedly being directed to non-statutory subject matter. Claims 1-2, 4-5, 7, 13-14, 16, and 18-19 were rejected under 35 U.S.C. § 103(a) as allegedly being unpatentable over R.P. Carlson, "Physician Practice Management Companies: Too Good to be True?," Family Practice Management (April, 1998) (hereinafter "Carlson"), in view of P.Z. Jackson et al., "Practice Valuation in Healthcare," The National Public Accountant, Vol. 45 (Feb/Mar 2000) (hereinafter "Jackson et al."). Claim 3 was rejected under 35 U.S.C. § 103(a) as allegedly being unpatentable over Carlson in view of Jackson, and further in view of J.A. Halloran et al., "Introduction to Financial Management," pp. 157, 185 (1985) (hereinafter "Halloran et al."). Claims 6 and 15 were rejected under 35 U.S.C. § 103(a) as allegedly being unpatentable over Carlson in view of Jackson, and further in view of K.M. Kennedy et al., "Physician Equity in Health Care Delivery Systems: Three Alternative Models," Journal of Health Care Finance, 1998:24(2):36-47 (hereinafter "Kennedy et al."). Claims 8, 10-12, and 20 were rejected under 35 U.S.C. § 103(a) as allegedly being unpatentable over Carlson in view of Jackson,

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and further in view of R. Gibbons, "Incentives in Organizations," The Journal of Economic Perspectives, Vol. 12, No. 4 (Autumn, 1998) (hereinafter "Gibbons"). Claims 9, 17, and 21 were rejected under 35 U.S.C. § 103(a) as allegedly being unpatentable over Carlson in view of Jackson, and further in view of R.L. Lindstrom et al., "Comanagement," Ophthalmic Surgery and Lasers, Vol. 29, Iss. 1 (Jan. 1998) (hereinafter "Lindstrom et al.").

Applicant respectfully traverses each of the rejections, and submits that claims 1-21 are patentable over the cited references for at least the following reasons.

Regarding the rejection under 35 U.S.C § 101, the Office Action states that claims 1-21 are directed to non-statutory subject matter (see Office Action, p. 4, lns. 16-17). Applicant respectfully disagrees.

Amended independent claim 1 relates to a method of incentivizing a person by determining and providing a tradable capital value of the person, comprising determining a portion of a future revenue of an economic entity which is attributable to an individual business unit ("IBU"), the IBU representing a person in the economic entity, determining a portion of a future cost of the economic entity which is attributable to the IBU, determining a future profit of the economic entity which is

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attributable to the IBU, and capitalizing the determined profit of the IBU.

The Federal Circuit, in State Street Bank & Trust Co. v. Signature Financial Group, Inc., 149 F.3d 1368, 47 USPQ2d (BNA) 1596 (Fed. Cir. 1998), held that statutory subject matter should be based on whether the operation produces a "useful, concrete and tangible result." Additionally, MPEP 2106(IV)(A) states: "[a]s the Supreme Court has held, Congress chose the expansive language of 35 U.S.C. § 101 so as to include 'anything under the sun that is made by man.' Diamond v. Chakrabarty, 447 U.S. 303, 308-09, 206 USPQ 193, 197 (1980)."

Discussing the practical application of an algorithm followed in a claimed process, MPEP 2106(IV)(B)(2)(b)(ii) states that for a process to be statutory, it must "... be limited to a practical application of the abstract idea or mathematical algorithm," and that "[a] claim is limited to a practical application when the method, as claimed, produces a concrete, tangible and useful result; i.e., the method recites a step or act of producing something that is concrete, tangible and useful" (citing AT&T Corp. v. Excel Comms., Inc., 172 F.3d 1352, 50 USPQ2d 1447 (Fed. Cir. 1999)).

It is respectfully submitted that the methods of the present invention, as recited in claims 1-21, are directed toward production of a concrete, tangible and useful result. As

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stated in the specification of the present application, "... a profit potential of an IBU representing a natural person in a business entity is determined by calculating the revenue and cost which are attributable to the IBU. The determined profit potential is then capitalized. The capitalized value is a tradable commodity that can be sold to a third party for a loan and is paid back to the third party from the future profit of the IBU" (see specification, p. 2, lns. 15-19).

It is respectfully submitted that at least the determination of a profit potential of an IBU, and the capitalization of that profit potential, as described above, relates to a "useful, concrete, and tangible result" as required by the Office Action and as discussed by the Federal Circuit and the MPEP.

Accordingly, it is submitted that claims 1-21 are patentable under 35 U.S.C. § 101. Withdrawal of the rejection under 35 U.S.C. § 101 is respectfully requested.

Regarding the rejection of claims 1-2, 4-5, 7, 13-14, 16, and 18-19, the Office Action cites page 1, paragraph 2 of Carlson as allegedly disclosing an "individual business unit being a solo practitioner" (see Office Action, p. 6, ln. 1).

Carlson, as understood by Applicant, relates to the joining of health plans, hospitals, and pharmaceutical companies, and to the resulting formation of physician organizations with deep

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pockets, economies of scale, high-priced management expertise, and sophisticated information networks. Physician practice management companies ("PPMCs") generate revenues from acquired practices and management services contracts with independent practice associations ("IPAs"), and have a primary role of being strategic partners for physicians.

The cited section of Carlson states only that "... solo practitioners, group practices, and even clinics of several hundred physicians are looking for partners with the necessary capital and organizational expertise and experience to help them innovate and grow" (see Carlson, p. 1, ¶ 2). As understood by Applicant, the cited section of Carlson does not disclose or suggest the IBU of the present application.

As stated in the specification, "[a]s an IBU 12, each doctor has a gross revenue 14 allocated to it. Generally, the gross revenue of a doctor is substantially equal to the service fees or gross billings collected from the patients or their insurance companies. Each IBU 12 pays retained earnings 16 to the practice owner 10. The retained earnings item 16 is equivalent to the amount of money guaranteed to be paid by the doctor to the practice owner 10 for the privilege of practicing medicine in the work environment provided by the practice owner 10. The retained earnings 16 to be paid to the owner 10 is

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often a percentage of the revenue of the doctors" (see specification, p. 4, ln. 17 to p. 5, ln. 2).

The Office Action further cites page 6, paragraph 2 of Carlson as allegedly disclosing determining a portion of a future revenue, cost, and profit of an economic entity which is attributable to an IBU (see Office Action, p. 6, lns. 5-8).

The cited section of Carlson, as understood by Applicant, describes a quantity that a PPMC will pay. Carlson states: "[h]ow much a PPMC will pay for a medical practice depends on the PPMC, the practice, local market conditions, and a variety of other factors. Practice valuation can be calculated as a multiple of annual practice revenues or of earnings before interest and taxes" (see Carlson, p. 6, 2nd full paragraph). That is, as understood by Applicant, the cited section of Carlson relates to a value of a practice.

It is respectfully submitted that the cited section of Carlson does not disclose or suggest determining a portion of a future revenue of an economic entity which is attributable to an IBU, as recited in amended independent claim 1. The cited section of Carlson is silent regarding the determination of a future revenue, and of the attribution of a portion of that future revenue to the IBU, as described in the present application.

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The Office Action further cites page 6, paragraph 6 of Carlson as allegedly disclosing capitalizing the determined profit of the IBU (see Office Action, p. 6, lns. 18-21).

As understood by Applicant, however, the section of Carlson cited and quoted by the Office Action relates to selling a practice to a PPMC for a lump-sum payment, and the tax consequences thereof. The cited section of Carlson states:

"[i]f you sell your practice to a PPMC, the proceeds are taxed as a capital gain at a lower rate. So by capitalizing part of your compensation from your practice, you end up paying less in taxes on the same amount of money" (see Carlson, p. 6, ¶ 7).

Carlson, as understood by Applicant, additionally states that a common valuation method includes multiplying a PPMC management fee by a constant, that intangible goodwill may be a difference between a purchase price and tangible assets, and that the lump-sum may consist of stock, cash, or a combination (see id., p. 6, ¶¶ 4-7).

It is respectfully submitted, however, that there is no disclosure or suggestion in of Carlson of capitalizing a future profit stream, or that the capitalized future profit stream is attributable to the IBU, as recited in amended independent claim 1.

For instance, as stated in the specification, "[t]he profit item 22 is any remaining percentage of the IBU's gross revenue



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that is outside of any other items. ... the profit item 22 according to the present invention belongs to the individual business unit 12 that earned it. The expected future profit 22 over a predetermined time period is capitalized which can then be sold as a tradable commodity" (see specification, p. 5, lns. 11-15).

Furthermore, as understood by Applicant, Carlson does not disclose or suggest capitalization through utilization of a discount factor, as described in the present application (see id., p. 7, lns. 1-4).

Jackson et al., as understood by Applicant, relates to the engagement of professional accountants for the enhancement of the quality of practice valuation engagements. The Office Action cites Jackson et al. as allegedly disclosing a discounted cash flow used to value a practice (see Office Action, p. 7, lns. 3-8).

It is respectfully submitted, however, that there is no disclosure or suggestion in Jackson et al. of determining a portion of a future revenue of an economic entity which is attributable to an (IBU), determining a future profit of the economic entity which is attributable to the IBU, and capitalizing the determined profit of the IBU, as recited in amended independent claim 1.

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Furthermore, it is respectfully submitted that there is no motivation or suggestion in the references to combine the cited elements in the manner indicated by the Office Action.

It is therefore respectfully submitted that neither Carlson nor Jackson, alone or in combination, disclose or suggest a method of incentivizing a person by determining and providing a tradable capital value of the person, comprising determining a portion of a future revenue of an economic entity which is attributable to an IBU, the IBU representing a person in the economic entity, determining a portion of a future cost of the economic entity which is attributable to the IBU, determining a future profit of the economic entity which is attributable to the IBU, and capitalizing the determined profit of the IBU, as described above and as recited in amended independent claim 1.

Accordingly, Applicant respectfully submits that amended independent claim 1, and the claims depending therefrom, are patentable over the cited references. Amended independent claims 13 and 18, and the claims depending therefrom, are believed to be patentable over the cited references for at least similar reasons.

Regarding the rejection of claims 3, 6, 8-12, 15, 17, and 20-21, it is respectfully submitted that none of the references disclose or suggest the methods and results of the present application.

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For instance, Halloran et al., as understood by Applicant, relates to an investment valuation model ("IVM") that enables financial managers to apply a value maximization criterion to the evaluation of proposed investing and financing decisions, and to calculation of a present value by discounting a single sum.

Kennedy et al., as understood by Applicant, relates to the merging, acquiring, or affiliation of health care organizations with physician groups during the 1990s. Models of health care organization are examined.

Gibbons, as understood by Applicant, relates to a summarization of new strands in agency theory related to incentives in real organizations.

Lindstrom et al., as understood by Applicant, relates to cooperative patient-centered, or individual-centered, comanagement of health care.

It is respectfully submitted, however, that neither Halloran et al., Kennedy et al., Gibbons, nor Lindstorm et al., alone or in combination with each other or with Carlson or Jackson et al., disclose or suggest a method of incentivizing a person by determining and providing a tradable capital value of the person, comprising determining a portion of a future revenue of an economic entity which is attributable to an IBU, the IBU representing a person in the economic entity, determining a

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portion of a future cost of the economic entity which is attributable to the IBU, determining a future profit of the economic entity which is attributable to the IBU, and capitalizing the determined profit of the IBU, as described above and as recited in amended independent claim 1.

Therefore, independent claim 1, and the claims depending therefrom, including claims 3, 6, and 8-12, are patentable over the cited references. Independent claims 13 and 18, and the claims depending therefrom, including 15, 17, and 20-21, are believed to be patentable over the cited references for at least similar reasons.

Accordingly, withdrawal of the rejections of claims 1-21 is respectfully requested.

This communication is believed to be fully responsive to the Office Action and every effort has been made to place the application in condition for allowance. The amended claims are believed to be patentable over the cited art and a favorable Office Action is earnestly solicited.

If a telephone interview would be of assistance in advancing prosecution of the present application, the Examiner is invited to contact the undersigned at the telephone number provided below.

If any fee is due in connection with the submission of the present response, the Commissioner is hereby authorized to

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charge our deposit account number 02-0393.

Favorable reconsideration is earnestly solicited.

Respectfully submitted,

Date: October 19, 2005

By:

  
Anthony V. Flint  
Registration No. 55,186  
Baker & McKenzie LLP  
805 Third Avenue  
New York, NY 10022  
Telephone: (212) 751-5700  
Facsimile: (212) 759-9133